

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
(U-39-E) for Adoption of its 2006 Energy
Resource Recovery Account (ERRA) Forecast
Revenue Requirement and for Approval of Its
2006 Ongoing Competition Transition Charge
Revenue Requirement and Rates.

Application 05-06-007
(Filed June 1, 2005)

**ADMINISTRATIVE LAW JUDGE'S RULING
REGARDING THE METHOD THIS PROCEEDING WILL USE
TO DETERMINE THE MARKET BENCHMARK PRICE OF ELECTRICITY**

The market benchmark price of electricity (benchmark price), which is based on a proxy combined cycle gas-fired turbine (CCGT), is used to calculate the Competition Transition Charge (CTC). The Assigned Commissioner's ruling (ACR) dated August 25, 2005, states that (1) the California Energy Commission's (CEC's) cost of generation model will be used to determine the benchmark price in this proceeding, (2) the benchmark price will be available by September 9, 2005, and (3) a workshop will be held on September 13th to explain the calculation of the benchmark price.

CEC staff has informed the staff of the Commission's Energy Division that the CEC will not formally issue a cost of generation model with updated CCGT values in the near future. Consequently, the cost of generation model cannot be used to calculate the benchmark price in this proceeding. In lieu of the CEC's CCGT calculation, this proceeding will use the 20-year baseload market-price referent model (MPR) (a.k.a. the Southern California Edison cash-flow model) adopted in Resolution E-3942 to (i) determine the benchmark price, and

(ii) forecast the CTC for 2006. The non-gas inputs used to determine the MPR will be the same as those adopted in E-3942. The 20-year gas price forecast used to determine the MPR will be computed using the avoided cost gas forecasting methodology adopted in Rulemaking (R.) 04-04-025, updated to reflect the most recent NYMEX market data and the revised CEC gas forecast.¹

Energy Division staff will email the 20-year baseload MPR calculation to the service list on September 9, 2005, with supporting workpapers. A workshop will not be scheduled at this time to explain the MPR, since the MPR and all data inputs have been vetted in other proceedings. Any party that believes a workshop is necessary should email a request to the assigned Administrative Law Judge (ALJ) and the service list by 12:00 noon on September 13, 2005. The assigned ALJ will schedule a telephonic workshop, if necessary. Any such workshop will not revisit issues decided in E-3942 or elsewhere (e.g., non-gas inputs, the avoided cost gas forecasting methodology, etc.).

Parties shall file and serve by September 12, 2005, any objections to using the 20-year baseload MPR in lieu of the CEC's CCGT calculation in this proceeding. These filings may also propose dates for a final update of the MPR benchmark price in this proceeding.

IT IS RULED that:

1. Because the CEC will not formally issue an updated 20-year baseload CCGT in the near future, this proceeding will rely on the 20-year baseload MPR model adopted in Resolution E-3942 to (i) determine the benchmark price, and (ii) forecast the CTC for 2006.

¹ See <http://www.energy.ca.gov/2005publications/CEC-600-2005-026/CEC-600-2005-026.PDF>. Please note that the CEC expects to have its gas forecast finalized during the week of Sept. 5, 2005, and the associated gas report finalized in the week of Sept. 12, 2005.

2. The 20-year baseload MPR will be calculated by the Commission's Energy Division. The non-gas inputs will be the same as those adopted in E-3942. The 20-year gas price forecast used to determine the MPR will be computed using the avoided cost gas forecasting methodology adopted in R.04-04-025, updated to reflect the most recent NYMEX market data and the revised CEC gas forecast.

3. Commission staff shall email the 20-year baseload MPR calculation (i.e., the benchmark price of electricity) to the service list on September 9, 2005, with supporting workpapers.

4. The workshop set for September 13, 2005, is canceled.

5. Any party that believes a workshop is necessary to explain the calculation of the 20-year baseload MPR shall email a request to the assigned ALJ and the service list by 12:00 noon on September 13, 2005. The assigned ALJ will schedule a telephonic workshop, if necessary. Any such workshop will not revisit issues decided in E-3942 or elsewhere.

6. Parties shall file and serve by September 12, 2005, any objections to using the 20-year baseload MPR in lieu of the CEC's CCGT calculation in this proceeding. These filings may also propose dates for a final update of the MPR benchmark price in this proceeding.

Dated September 7, 2005, at San Francisco, California.

/s/ TIMOTHY KENNEY

Timothy Kenney
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Regarding the Method this Proceeding Will Use to Determine the Benchmark Price of Electricity on all parties of record in this proceeding or their attorneys of record.

Dated September 7, 2005, at San Francisco, California.

/s/ TERESITA C. GALLARDO
Teresita C. Gallardo

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.

